

**SARATOGA COUNTY
WATER AUTHORITY**



2017 ANNUAL REPORT

Table of Contents

Operations and Accomplishments

Projects Undertaken in 2017

Assets and Liabilities

Revenues and Expenses

Property Transactions

Remaining Debt

Assessment of Internal Controls

Audit Certification

Board Committees

SCWA Performance Measures

List of SCWA Properties

Operations and Accomplishments

The Authority is a corporate governmental agency as defined by the Saratoga County Water Authority Act (Act), Title 8-F of Article 5 of the New York State Public Authorities Law. The Authority is charged with providing water services for the public benefit. The Authority is empowered to borrow money and issue notes, bonds or obligations in order to pay the costs of water projects or projects for corporate purposes. Bonds issued by the Authority are not considered debt of the State of New York (the "State") or any municipality thereof. However, the State pledges not to alter or limit the rights of the Authority involving any projects that are being funded through bonds that the Authority had issued. The Authority is empowered to fix rates and collect charges for use of the facilities and services rendered in order to provide revenues for paying the principal and interest of bonds, notes and/or other obligations and for regular operation and maintenance ("O&M") expenses. No public service commission or entity of like character has jurisdiction over the Authority in management and control of operations or in regulation of rates fixed and charges collected.

The Act also states that powers of the Authority are vested in and exercised by a governing board of seven members. The members are appointed by the chairperson of the Board of Supervisors of Saratoga County ("County"). The officers of the Authority (other than the secretary) are required to be members of the Board. In addition to a secretary, officers include a chairperson, vice chairperson, treasurer and deputy treasurer. The officers are elected by the Board.

In 2017 our water system served eight customers; The Town of Moreau, the Wilton Water & Sewer Authority, the Town of Ballston, the Clifton Park Water Authority, the Town of Malta, the Village of Stillwater, Town of Stillwater and Global Foundries. The total water provided to our customers in 2017 was 1,943 million gallons. The daily average water consumption was 5.35 million gallons a day. Our highest monthly daily flow occurred in August and was recorded at 6.13 million gallons per day. In 2017, municipal water customers were charged \$2.242 per 1,000 gallons of water.

PROJECTS UNDERTAKEN BY THE SARATOGA COUNTY WATER AUTHORITY IN 2017

Town of Halfmoon Water Connection

The SCWA along with the Towns of Halfmoon and Waterford seek to address water supply needs and potential consolidation of existing infrastructure through a water interconnection between the Towns and the Saratoga County Water Authority. Presently the Towns of Waterford and Halfmoon maintain existing water treatment facilities that obtain source water from the Hudson River. Both facilities have been taken off-line due to contamination of the source water by PCBs associated with operations and clean-up of the river by General Electric

The Saratoga County Water Authority along with the Towns of Halfmoon and Waterford are actively pursuing the construction of a water supply interconnection.

Projected Cost - \$6.4 million, SCWA Portion \$3.5 Million.

SCWA Expenses through Dec. 31, 2017 - \$102,444

SCWA Storage Building

The SCWA began the design phase of constructing a 40' x 120' barn type storage building to provide enclosed storage space for pipeline equipment, vehicles and other large equipment currently exposed to weather. As of Dec. 31, 2017, the project was still in design and permit phase.

Projected Cost - \$595,000

SCWA Expenses through Dec. 31, 2017 - \$15,000

SARATOGA COUNTY WATER AUTHORITY
(A COMPONENT UNIT OF SARATOGA COUNTY, NEW YORK)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
DECEMBER 31, 2017 AND 2016

Analysis of the Authority's Financial Position

The Authority's net position decreased by \$945,000 in 2017, to \$23.2 million. The Authority's net position increased by \$2.0 million in 2016, to \$24.2 million.

CONDENSED STATEMENT OF NET POSITION

	<u>2017</u>		<u>2017</u>		<u>2016</u>		<u>2016</u>		<u>2015</u>		<u>2015</u>
	<u>Total</u>		<u>%</u>		<u>Total</u>		<u>%</u>		<u>Total</u>		<u>%</u>
ASSETS											
Current Assets	\$ 8,101,244		10.0	\$ 8,772,554		10.3	\$ 4,653,429		5.8		
Restricted Assets	2,935,430		3.6	2,935,059		3.5	3,824,607		4.8		
Property, Plant, and Equipment, Net	66,633,369		82.0	69,221,429		81.5	71,137,010		89.2		
Other Assets	-		0.0	107,754		.1	107,754		.1		
Total Assets	<u>77,670,043</u>		<u>95.6</u>	<u>81,036,796</u>		<u>95.4</u>	<u>79,722,800</u>		<u>99.9</u>		
Deferred Outflows of Resources	<u>3,553,068</u>		<u>4.4</u>	<u>3,911,389</u>		<u>4.6</u>	<u>65,351</u>		<u>.1</u>		
Total Assets and Deferred Outflows of Resources	<u>\$ 81,223,111</u>		<u>100.0</u>	<u>\$ 84,948,185</u>		<u>100.0</u>	<u>\$ 79,788,151</u>		<u>100.0</u>		
LIABILITIES, DEFERRED INFLOWS AND NET POSITION											
Current Liabilities	\$ 2,496,575		3.1	\$ 1,385,275		1.6	\$ 1,769,821		2.2		
Long-Term Liabilities	<u>50,451,376</u>		<u>62.1</u>	<u>54,057,605</u>		<u>63.7</u>	<u>55,187,764</u>		<u>69.2</u>		
Total Liabilities	<u>52,947,951</u>		<u>65.2</u>	<u>55,442,880</u>		<u>65.3</u>	<u>56,957,585</u>		<u>71.4</u>		
Deferred Inflows of Resources	5,058,701		6.2	5,344,170		6.3	714,993		.9		
Net Position	<u>23,216,459</u>		<u>28.6</u>	<u>24,161,135</u>		<u>28.4</u>	<u>22,115,573</u>		<u>27.7</u>		
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 81,223,111</u>		<u>100.0</u>	<u>\$ 84,948,185</u>		<u>100.0</u>	<u>\$ 79,788,151</u>		<u>100.0</u>		

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

	<u>2017</u>		<u>2017</u>		<u>2016</u>		<u>2016</u>		<u>2015</u>		<u>2015</u>
	<u>Total</u>		<u>%</u>		<u>Total</u>		<u>%</u>		<u>Total</u>		<u>%</u>
Operating Revenue	\$ 5,467,453		99.4	\$ 5,265,112		58.5	\$ 6,108,317		99.9		
Non-Operating Revenue	<u>30,558</u>		<u>.6</u>	<u>3,731,619</u>		<u>41.5</u>	<u>6,723</u>		<u>.1</u>		
Total Revenues	<u>5,498,011</u>		<u>100.0</u>	<u>8,996,731</u>		<u>100.0</u>	<u>6,115,040</u>		<u>100.0</u>		
Depreciation	2,718,214		49.4	2,680,760		29.8	2,626,645		43.0		
Other Operating Expense	1,748,530		31.9	1,618,325		18.0	1,602,507		26.2		
Non-Operating Expense	<u>1,975,943</u>		<u>35.9</u>	<u>2,652,084</u>		<u>29.5</u>	<u>2,442,968</u>		<u>39.9</u>		
Total Expenses	<u>6,442,687</u>		<u>(117.2)</u>	<u>6,951,169</u>		<u>77.3</u>	<u>6,672,120</u>		<u>109.1</u>		
Change in Net Position	<u>\$ (944,676)</u>		<u>(17.2)</u>	<u>\$ 2,045,562</u>		<u>22.7</u>	<u>\$ (557,080)</u>		<u>(9.1)</u>		

Real Property Transactions

The Saratoga County Water Authority had no real property transactions in 2017.

Personal Property Transactions

The Saratoga County Water Authority had no personal property dispositions in 2017.

Remaining Debt of the Authority

The Authority currently has two municipal Bond issuances outstanding:

Series 2014 Bonds - \$4.34 million original issuance. Remaining Principal is \$4,120,000 at December 31, 2017. Total Interest Payments to Date are \$683,989.

Series 2016 Refunding Bonds - In 2016, the Authority issued \$41,360,000 of general obligation refunding bonds to provide resources to purchase U.S. Government and State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$42,115,000 of refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position. This advance refunding was undertaken to reduce total debt service payments over the next 32 years by approximately \$11.2 million and resulted in an economic gain of approximately \$6.9 million. In 2017, a principal payment in the amount of \$605,000 and an interest payment was made in the amount of \$1,661,494.

Saratoga County IDA Loan - \$1 million loan. \$525,000 in grant funding. No principal payments are due on this loan until 2020. One interest payment was made in 2017 in the amount of \$6,900.

Assessment of the Effectiveness of the SCWA's Internal Controls

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. However, based on recognition that the cost of the system should not exceed the benefits, management believes its system of internal accounting controls maintains an appropriate cost/benefit relationship.

Internal control over financial reporting includes maintaining records that, in reasonable detail, accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements; providing reasonable assurance that receipts and expenditures of company assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use or disposition of company assets that could have a material effect on our financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected.

SCWA's system of internal accounting controls is evaluated on an ongoing basis by SCWA's internal financial and executive staff. Independent external accountants and auditors also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

The SCWA has established an Audit Committee in accordance with the Public Authorities Accountability Act. This committee meets with management and periodically with the independent external auditors to ensure these groups are fulfilling their obligations and to discuss auditing, controls, and financial reporting matters.

Management believes that its policies and procedures provide guidance and reasonable assurance that SCWA's operations are conducted according to management's intentions and to a high standard of business ethics.

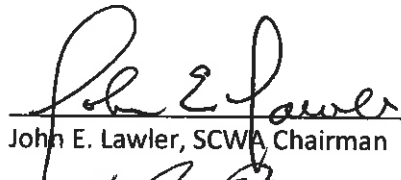
The following are observations and suggestions made by the independent external auditors (Cusack & Company, P.C.) during their most recent audit of the SCWA's internal controls and policies:

In 2017 there were no significant findings on the part of the auditors with regard to the internal controls and policies of the Saratoga County Water Authority.

Certification of Audited Financial Reports

Fiscal Year 2017

I, John E. Lawler, Chairman of the Board of Directors, and Thomas K. Cumm, Treasurer of the Board of Directors hereby certify that the Saratoga County Water Authority's Financial Report for the fiscal year 2017, as prepared and presented by Cusack and Company LLC, is accurate, correct, and does not contain any untrue statement of material fact, to the best of my knowledge.



John E. Lawler, SCWA Chairman



Thomas K. Cumm, SCWA Treasurer

SCWA 2017 Board Committees

Governance Committee – 3 Members

John Lawler
Tim Szczepaniak
James Smith

Audit Committee – 3 Members

Darren O'Connor
Anita Daly
Arthur Johnson

Finance Committee – 3 Members

Thomas Cumm
Arthur Johnson
John Lawler

Personnel Committee – 3 Members

Thomas Cumm
James Smith
Darren O'Connor

Smart Growth Committee – 3 Members

Anita Daly
Arthur Johnson
Tim Szczepaniak

**Saratoga County Water Authority Performance Measurement Report
Fiscal Year 2017**

Performance Measures	FY2017 Actual Jan. 1, 2017 - Dec. 31, 2017
<p align="center">FINANCIAL</p> <p>a. Annual budget</p> <p>b. Amount of service fee payment</p> <p>c. Quality of SCWA bond rating</p> <p>d. Procurement practice review</p> <p>e. Expansion of customer base</p>	<p>a. Approved Budget: \$4,495,183 Budgeted Revenues: \$5,105,705 Budgeted Income: \$610,523 Actual Revenues: \$5,467,000 Actual Expenses: \$4,301,036 Net Income: \$1,166,537</p> <p>b. None</p> <p>c. AA Stable</p> <p>d. Reviewed and Adopted on 08/24/17.</p> <p>e. In 2017, the Authority acquired one new customer: The Town of Halfmoon.</p>
<p align="center">WATER QUALITY</p> <p>a. Annual Drinking Water Report</p>	<p>Annual Water Quality Report has been prepared and is available for viewing at www.saratogacountywaterauthority.com</p>
<p align="center">AUDIT</p> <p>a. Continuing self-audit</p> <p>b. Any applicable review or audit</p>	<p>a. 2017 PARIS Reports authorized, approved and submitted by March 31, 2017.</p> <p>b. Independent Audit for 2017 concluded March 2017.</p>
<p align="center">SAFETY</p> <p>a. Review of accident reports</p>	<p>a. There were no Accident Reports filed for 2017. Task Hazard Analysis system utilized at Facility. Review of Safety Procedures is conducted weekly.</p>
<p align="center">OPERATIONS & MAINTENANCE</p> <p>a. Annual inspections</p> <p>b. Number of water main breaks</p>	<p>a. NYS DEC Bulk Chemical Storage Tank Inspection done in October 2017. Facility Fire Extinguisher Inspections completed July 2017.</p> <p>b. There were no water main breaks in 2017.</p>

SARATOGA COUNTY WATER AUTHORITY

LIST OF REAL PROPERTY

260 Butler Road Water Treatment Plant

Description: Membrane filtration plant on 21.86 acres, located at 260 Butler Road in the Town of Moreau (tax map #62.00-1-12.2).

Potter Road Pump Station

Description: Water pumping station on leased land owned by Brookfield Power Corp.

Luther Forest Water Tank

Description: 5 Million Gallon Water tank and electrical building that houses equipment necessary to maintain the operation of the tank. Tank is located on land owned by the Luther Forest Technology Campus Economic Development Corporation.

Easements

The Saratoga County Water Authority owns a large number of easements for the placement of water main, pressure-reducing vaults, meter pits, ingress/egress to pump stations, and other water supply and distribution equipment.